



U.S. Department of Housing and Urban Development
New Jersey State Office
One Newark Center
Newark, NJ 07102-5260

DATE: FEB 6 4 2000

MEMORANDUM FOR: William J. Flood, Director
Office of Capital Improvements, PTC

FROM: *for* Carmen Valenti, Director
Office of Public Housing, 2.5PH *Carmen D. Valenti*

SUBJECT: Request for Amendment Funds
Public Housing Development Program
Newark Housing Authority (NHA)

Attached, please find the NHA's request, dated 01/11/00, requesting \$5,991,189, additional amendment funds, for projects NJ39P002047, \$3,187,785 and NJ39P002049, \$2,803,404.

The Authority is under a U.S. Court mandate to develop 1,777 new housing units to replace the demolished high-rise project at Columbus Homes. To date, eight of the fifteen projects, relating to this obligation, has been completed.

Inflation over the years resulted in a substantial increase in the Total Development Costs (TDCs). Therefore, the Authority has indicated that it can not build the replacement units with the reservation amounts approved for these projects.

Below is a breakdown of the projects history and financial shortfall:

	<u>NJ2-047</u>	<u>NJ2-049</u>
Total Units:	100	88
Structure Type:	Row	Row
Household Type:	Family	Family
Housing Type:	Turnkey	Turnkey
Dev. Method:	New Constr.	New Constr.
Reservation Date:	09/13/91	09/13/91
Reservation Amount:	\$11,221,000	\$ 9,860,800
Current TDC:	<u>14,408,785</u>	<u>12,564,204</u>
Deficit:	\$ 3,187,785	\$ 2,803,404

The Authority had awarded D. A. Developer Inc. to project NJ2-047 and Developer J. P. Affordable Housing to project NJ2-049, to construct these units. However, after extensive work with the developers, preparing construction drawings and processing of the applications to be submitted to the Newark Planning Board, D. A. Dev. Inc. withdrew its proposal. Two weeks later, J. P. Affordable withdrew its proposal. Reasons cited by both developers were increase in materials, construction costs and lack of development funds.

These withdrawals were beyond the control of the Authority. It is important to note that until a Turnkey Contract is signed, Authorities must work in good faith with developers because there are no sanctions against developers who are free to withdraw at any time prior to the execution of the turnkey contract.

The Authority then commenced the process to re-advertise both projects. It became apparent that the 1997 TDCs used when first advertising these projects are now insufficient. Re-advertising the RFP under the current TDCs, 1999-2000, would provide sufficient increase in funds to attract and retain new developers who can complete the projects. However, the calculation of the new TDCs for both projects results in a \$5,991,189 deficit. Therefore, the Authority is requesting amendment funds in order to supplement the shortfall. Once funding is received, the Authority has indicated that it will expedite the development selection process in accordance with the TDC guidelines. (Attached is a comparison chart showing the 1997 TDCs versus the 1999 TDCs and the shortfalls).

In light of the above, this office is recommending approval of the Authority's request.

If you require additional information in order to complete your review, please contact Gabriella Hargrove, of my staff, at (973) 622-7900, Ext. 3603.



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Ex. 7

Mr. Carmen Valenti
 Director, Public Housing Division
 U.S. Department of Housing and Urban Development
 Newark Office, Region II
 One Newark Center
 Newark, New Jersey 07102-5260

Attention: Ms. Gabriella Hargrove
 Housing Revitalization Specialist

Dear Mr. Valenti:

**RE: PRELIMINARY ASSESSMENT
 AMENDMENT FUNDS
 PROJECT NJ39-P002-047 (100 UNITS)**

This correspondence is to provide information concerning the current status of the above mentioned project. The NHA had designated D. A. Development to construct this project after evaluating Request for Proposals (Developer's Packet). After extensive work with the developer through construction drawings and preparation of an application to be submitted to the Newark Planning Board, the developer withdrew its proposal. To avoid significant delays in the start of construction of this project, the NHA has discussed assignment of the project to another developer, however this does not seem feasible at this time.

Given these circumstances, which have been completely beyond the control of the NHA, the Authority seeks to inform HUD that it is considering re-advertising the RFP for this project.

Since one of the main reasons cited by the developer for withdrawing was a significant increase in material and construction costs, re-advertising the RFP under the 1999-2000 Total Development Cost guidelines would provide sufficient increased funds to attract and retain a developer who can complete the project.

Carmen Valenti NJ39-P002-047 Preliminary Assessment 1/11/00 Page -2-

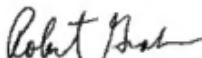
On the other hand, the Authority's calculation of the new TDC (\$14,408,785) in relation to the amount of reservation (\$11,221,000) for this project shows that the TDC is well above the amount allocated for this project. Given the increased construction costs and the current calculation of the TDC using industry standard measures, the NHA is considering a request to your office for an amendment of funds for this project.

As the NHA proceeds with its determination as to how to effectively and expeditiously proceed with this project, we will seek to continue our dialogue with HUD on this matter.

Also, please find attached a comparison chart for 1997 vs 1999 TDC.

If you have any questions or require further information, please contact Mr. Joseph S. Bianco, Director of Redevelopment at 430-2276.

Sincerely,



Robert Graham
Acting Executive Director

RG:rww

Attachment

cc: Mr. Edward DePaula
Mr. Frank L. Armour
Mr. Joseph S. Bianco
Mr. Ralph R. Waller